

**UHLABISA UMASIPALA WASEKHAYA
HLABISA LOCAL MUNICIPALITY**

**ANNUAL FINANCIAL STATEMENTS FOR
THE PERIOD ENDED 30 JUNE 2015**

HLABISA LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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HLABISA LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

GENERAL INFORMATION

Mayor	V.F. Hlabisa
Deputy Mayor	H.T. Nkosi
Speaker	G.R. Mchunu
Exco Member	S.F. Mdaka
Member	B.B. Ntombela
Member	M.B. Sithole
Member	B.I. Zungu
Member	B.W. Manqele
Member	T.Z. Nkosi
Member	B.J. Langa
Member	T.T. Kunene
Member	O.Z. Simelane
Member	Z.P. Ndlovu
Member	B.A. Mokoena
Member	P.P. Nhlenyama
Member	T.H. Zungu

Capacity of Municipality

Medium Capacity Municipality
Grade 2

Auditors

The Auditor-General of South Africa
Private Bag X9034
PIETERMARITZBURG
3200

Attorneys

Truter James de Ridder

GENERAL INFORMATION (continued)

Bankers

First National Bank of South Africa
ABSA

Registered office: Municipal Building, Hlabisa

Physical address: Lot 808 Masson Street
Hlabisa
3937

Postal address: P.O. Box 387
Hlabisa
3937

Telephone Number: 035 - 838 8500

Fax Number: 035 - 838 1015

Municipal Manager

Dr VJ Mthembu

Acting Chief Financial Officer

KGW Thusi

STATEMENT OF THE ACCOUNTING OFFICER'S RESPONSIBILITY AND APPROVAL

HLABISA LOCAL MUNICIPALITY ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate records and is responsible for the content and integrity of the annual financial statement and related financial information included therein. It is the responsibility of the accounting officer to ensure that the annual financial statement fairly present the state of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are responsible for reporting on the fair presentation of the annual financial statements.

The annual financial statements have been prepared in accordance with South African Statement of General Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supportable by reasonable and prudent judgment and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established in the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of material misstatement in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework of authority, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These standards are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in the municipality's business is conducted in a manner that in all reasonable circumstances are above reproach. The focus of internal management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate controls, systems and ethical behaviours are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management that the internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2015 and, in the light of the current financial position, he is satisfied that the municipality has or has access to adequate resources to ensure operational existence for the foreseeable future. The external auditors are responsible for independently reviewing the municipality's annual financial statements.

The annual financial statements set out on page 1 to 39 which have been prepared on the going concern basis, were approved by accounting officer.

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Dr VJ Mthembu
Municipal Manager

31 AUGUST 2015

HLABISA LOCAL MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ended 30 June 2015

1 BASIS OF ACCOUNTING

1.1 BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. These annual financial statements have been prepared in accordance with the Generally Recognised Accounting Practice (GRAP) , including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with Section 1 22(3) of the Municipal Finance Management Act(Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues, and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statement, unless explicitly stated. The details of any changes in accounting Accounting policies for material transaction, events or conditions not covered by the above GRAP Standards have been developed in accordance with paragraph 7,11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Recognised Accounting Practices including any interpretations of such Statements issued by the Accounting Practices Board.

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality and the figures are rounded off to the nearest rand.

1.3 GOING CONCERN ASSUMPTION

The annual financial statements have been prepared on the assumption that the Municipality will continue to operate as a going concern for at least the next 12 months.

1.4 COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts restated.

The nature and reason for reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as practicable, and the prior year comparatives are restated accordingly.

1.5	STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE		
	The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:		
	GRAP 20	Related Parties Transactions	
	GRAP 32	Service Concession Arrangements: Grantor	
	GRAP 108	Statutory Receivables	
	GRAP 109	Accounting by Principals and Agents	

1.6 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

1,6,1 INITIAL RECOGNITION

The cost of an item of property, plant and equipment are recognised as assets when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the cost thereof can be measured reliably.

On acquisition date assets are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1,6,2 SUBSEQUENT MEASUREMENT - COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1,6,3 DEPRECIATION

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Infrastructure Assets

Roads and Paving	30 years
Roads and Water	20 years

Community Assets

Recreational Facility	20-30 years
Security	5 years
Community Halls	30 years
Libraries	30 years
Parks and gardens	10 years

Finance Lease Assets

Office equipment	5 years
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Other Assets

Buildings	30 years
Specialist vehicles	10 years
Other vehicles	5 years
Office equipment	3-7 years
Furniture and fittings	7-10 years
Bins and containers	5 years
Specialised plant and equipment	10-15 years
Landfill sites	30 years
Computer equipment	3-7 years

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

1,6,4 IMPAIRMENT OF ASSETS

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1,6,5 DERECOGNITION

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.7 INTANGIBLE ASSETS

1,7,1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licenses, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

1,7,2 SUBSEQUENT MEASUREMENT - COST MODEL
Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1,7,3 AMORTISATION AND IMPAIRMENT
Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software	3-5 years
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The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

1,7,4 DERECOGNITION
Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement

1.8 INVESTMENT PROPERTY

1,8,1 INITIAL RECOGNITION
Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1,8,2 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL
Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

The municipality shall revalue its investment property that are under revaluation with measured using fair value.

1,8,3 DERECOGNITION
Investment property is derecognised when it is disposed of or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

DIRECTOVE 7 - DEEMED COST

1,8,4
Use of deemed cost for property, plant and equipment, investment property, intangible assets and heritage assets

When an entity initially recognises an asset using the Standards of GRAP, it measures such assets using either cost or fair value at the date of acquisition (acquisition cost). Where the acquisition cost of an asset is not available on the adoption of the Standards of GRAP, acquisition cost is measured using a surrogate value (deemed cost) at the date an entity adopts the Standards of GRAP (measurement date). Deemed cost is determined as the fair value of an asset at the measurement date.

An entity may have determined a deemed cost for an asset under another basis of accounting where information about the acquisition cost of the asset was unavailable. A deemed cost determined for an asset under another basis of accounting is acceptable for purposes of this Directive if it represents the fair value of the asset as or its cost or depreciated historical cost.

The Hlabisa Municipality did not apply Directive 7 for Property, Plant & Equipment identified after the adoption of GRAP. These assets were identified in the current financial year and a correction of error is to be applied retrospectively

a description of whether deemed cost was determined:
(i) using fair value or depreciated replacement cost for items of property, plant and equipment and investment properties; and

1.9 FINANCIAL INSTRUMENTS

1,9,1 INITIAL RECOGNITION

Financial instruments are initially recognised at fair value.

1,9,2 SUBSEQUENT MEASUREMENT

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in accordance with GRAP 104.

1,9,3 INVESTMENTS

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net

1,9,4 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

1,9,5 FINANCIAL LIABILITIES: ACCOUNTS PAYABLE

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

1,9,6 CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1,10 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.11 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998), Division of Revenue Act of 2008 or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.12 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.13 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipality has a detailed formal plan for the restructuring identifying at least: - the business or part of a business concerned;- the principal locations affected - the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and when the plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

1.14 LEASES

1,14,1 MUNICIPALITY AS LESSEE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

1,14,2 MUNICIPALITY AS LESSOR

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

1.15 REVENUE

1,15,1 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licenses and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

1,15,2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue is measured at the fair value of the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when the spot fine and summonses are issued.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible Councilors or officials is virtually certain.

1,15,3 GRANTS, TRANSFERS AND DONATIONS

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

1.16 EMPLOYEE BENEFITS

The municipality provides retirement contributions for its employees and Councillors. Contributions are made to the Natal Joint Municipal Pension Fund to fund the obligations for the payment of retirement benefits in accordance with the rules of the defined benefit funds it administers. Contributions are recognised as an expense in the statement of Financial Performance.

1,16,1 Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected costs of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of performance.

1,16,2 Defined contribution plans

Council employees contribute to the Natal Joint Municipal Pension Fund. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid.

A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid.

Natal Joint Municipal Pension Fund have been accounted for as defined contribution plans in accordance with the requirements on multi-employer plans where sufficient information is not available to account for such plans as defined benefit plans. As the fund administrators do not have sufficient information available to allocate the shortfall on liabilities to individual employers, no liability is recognised for any shortfall of fund asset as compared to fund liabilities. Any surcharges that may be levied by the fund from time to time in order to compensate for shortfalls, are recognised as expenses in the period in which they become payable to the fund. As surcharges are advised long in advance, based on actuarial valuations of the fund as a whole, the necessary provision for the payment thereof is made in the course of the municipality's normal budgeting processes.

1,16,3 Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries

1.17 BUDGET INFORMATION

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as a separate additional financial statement, namely Statement of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2014 to 30 June 2015. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- ☐ the approved and final budget amounts;
- ☐ actual amounts and final budget amounts;

Explanations for differences between the approved and final budget are included in the Statement of Comparison of Budget and Actual Amounts.

Explanations for material differences between the final budget amounts and actual amounts are included the Statement of Comparison of Budget and Actual Amounts.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24. No amendments or disclosure requirements in terms of GRAP 3 (Revised – March 2012) has been made.

1.18 RELATED PARTIES

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – “Related Party Disclosures”.

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Municipality:

(a) A person or a close member of that person's family is related to the Municipality if that person:

- has control or joint control over the Municipality.
- has significant influence over the Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
- is a member of the management of the Municipality or its controlling entity.

(b) An entity is related to the Municipality if any of the following conditions apply:

- the entity is a member of the same Municipality (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
- one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an Municipality of which the other entity is a member).
- both entities are joint ventures of the same third party.
- one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
- the entity is controlled or jointly controlled by a person identified in (a).
- a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as “Key Management”) includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- (a) all members of the governing body of the Municipality;
- (b) a member of the governing body of an Municipality who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- © any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the
- (d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- (a) All directors or members of the governing body of the Municipality, being the Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

1.19 SIGNIFICANT JUDGEMENT AND SOURCES OF ESTIMATING UNCERTAINTY

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

1,19,1 TRADE AND OTHER RECEIVABLES/LOANS RECEIVABLES

The municipality assesses its trade receivables and loans and receivables for impairment at each reporting date. In determining whether an impairment loss should be recorded in surplus or deficit, the entity makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset. The impairment for trade receivables and loans and receivables is calculated on a portfolio basis on the remaining individually impaired items, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other Indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

1,19,2 FAIR VALUE ESTIMATION

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the entity is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The entity uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The carrying values of trade receivables and payables are assumed to approximate their fair values.

1,19,3 IMPAIRMENT TESTING

The recoverable (service) amounts of individual assets and cash-generating units have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

1,19,4 USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and intangible assets. This estimate is based on the condition and use of the individual assets, in order to determine the remaining period over which the asset can and will be used.

1,19,5 ALLOWANCES FOR IMPAIRMENT

On receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1,19,6 PROVISION FOR STAFF LEAVE

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

1,19,7 PROVISION FOR PERFORMANCE BONUS

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to evaluation by Council.

1,20 COMMITMENTS (CAPITAL AND OPERATING

Capital commitments disclosed in the annual financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

Operational commitments disclosed in the annual financial statements represent only the contractual balance committed to operating expenditure.

1.21 EVENTS AFTER REPORTING DATE

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the annual financial statements are authorised for issue.. Two types of events can be identified:

(a) those that provide evidence of conditions that existed at the reporting date (adjusting events after reporting date); and

(b) those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

2. CHANGES IN ACCOUNTING POLICY

The unaudited annual financial statements have been prepared in accordance with the South African Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year. There were no changes to the accounting policy during the current year.

3. NEW STANDARDS AND INTERPRETATIONS

3.1 STANDARDS AND INTERPRETATIONS EFFECTIVE AND ADOPTED IN THE CURRENT YEAR

In the current year there were no new standards which were adopted by the municipality

HLABISA LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Statement of Comparison of Budget and Actual Amounts

Figures in Rand	Original Budget	Budget adjustments (i.t.o s28 and 31 of MFMA)	Final adjustment budget	Shifting of funds (i.t.o 31 of MFMA)	Virement (i.t.o council approved policy)	Final Budget	Actual outcome
Property rates	1 085 997	611 483	474 514	-	-	474 514	1 129 812
Service charges	42 840	(17 160)	60 000	-	-	60 000	227 667
Investment revenue	360 000	-	360 000	-	-	360 000	572 206
Transfers recognised operational	49 802 000	(126 000)	49 928 000	-	-	49 928 000	50 415 815
Other own revenue	4 824 899	(168 740)	4 993 639	-	-	4 993 639	2 716 079
Total Revenue (excluding capital transfers and contributions)	56 115 736	299 583	55 816 153	-	-	55 816 153	55 061 578
Employee related costs	25 343 203	715 112	24 628 091			24 628 091	21 572 001
Remuneration of Councilors	5 306 595	-	5 306 595			5 306 595	3 936 605
Debt impairment	310 000	-	310 000			310 000	-
Depreciation and asset impairment	3 150 000	(1 565 160)	4 715 160			4 715 160	-
Finance Charges	50 600	-	50 600			50 600	566 570
Transfers and grants	8 500 000	-	8 500 000			8 500 000	11 065 898
Other expenditure	12 856 121	1 527 445	11 328 676			11 328 676	12 497 909
Total expenditure	55 516 519	677 397	54 839 122	-	-	54 839 122	49 638 983
Surplus/(Deficit)	599 217	(377 814)	977 031	-	-	977 031	5 422 596
Surplus/(Deficit) for the year	599 217	(377 814)	977 031	-	-	977 031	5 422 596

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Capital expenditure and funds sources

Total capital expenditure	14 540 000	(685 000)	15 225 000	15 225 000	8 402 516
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Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
-	(655 298)	238%	104%
-	(167 667)	379%	531%
-	(212 206)	159%	159%
-	(487 815)	101%	101%
-	2 277 560	54%	56%
-	754 575	99%	98%
	3 056 090	88%	85%
	1 369 990	74%	74%
	310 000	0%	0%
	4 715 160	0%	0%
515 970	-	1120%	1120%
2 565 898	-	130%	130%
1 169 233	-	110%	97%
4 251 101	9 451 240	91%	89%
	(8 696 666)	555%	905%
	(8 696 666)	555%	905%
	6 822 484	55%	58%

HLABISA LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Statement of Comparison of Budget and Actual Amounts

Figures in Rand	Original Budget	Budget adjustments (i.t.o s28 and 31 of MFMA)	Final addjustment budget	Shifting of funds (i.t.o 31 of MFMA)	Virement (i.t.o council approved policy)
Cash flows					
Net cash from (used) operating	14 304 500	(5 078 414)	19 382 914		
Net cash from (used) investing	(13 902 000)	(1 149 500)	(12 752 500)		
Net cash from (used) financing	(169 400)	-	(169 400)		
Net increase/(decrease) in cash and cash equivalents	233 100	(6 227 914)	6 461 014	-	-
Cash and cash equivalents at the beginning of the year	-	(1 749 486)	1 749 486		
Cash and cash equivalents at the end of the year	233 100	(7 977 400)	8 210 500	-	-

Final Budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
19 382 914	12 593 543		6 789 371	65%	88%
(12 752 500)	(8 443 039)		(4 309 461)	66%	61%
(169 400)	(914 241)		744 841	540%	540%
6 461 014	3 236 264	-	3 224 750	50%	1388%
1 749 486	1 717 765		31 721	98%	#DIV/0!
8 210 500	4 954 028	-	3 256 472	60%	2125%

HLABISA LOCAL MUNICIPALITY
Statement of financial position as at 30 June 2015

	Notes	2015	Restated 2014
		R	R
Assets			
Non-current assets		112 330 924	110 482 085
Property, plant and equipment	<u>9</u>	111 047 211	109 015 696
Investment property	<u>8</u>	692 550	692 550
Intangible assets	<u>10</u>	576 963	759 639
Deposits	<u>11</u>	14 200	14 200
Non-current assets held for sale	<u>42</u>	-	-
Current assets		7 948 510	4 048 752
Inventories	<u>4</u>	-	-
Trade and Receivable from exchange transactions	<u>5</u>	493 721	608 648
Trade and Receivable from non exchange transactions	<u>6</u>	2 316 632	834 441
VAT Receivables	<u>14</u>	184 130	-
Cash and cash equivalents	<u>7</u>	4 954 028	2 605 662
Total assets		120 279 434	114 530 837
Liabilities			
Non- Current Liabilities		7 667 872	8 132 832
Finance Lease Obligation	<u>12</u>	934 148	1 905 358
Non-Current Provisions - Long Service Award	<u>30</u>	1 287 358	865 933
Non-Current Provisions - Landfill Site	<u>16</u>	5 446 366	5 361 541
Current liabilities		15 633 741	16 481 187
Trade and other payables from exchange transactions	<u>13.1</u>	5 222 480	6 276 061
Trade and other payables from non-exchange transactions	<u>13.2</u>	3 063 799	3 247 981
VAT payable	<u>14</u>	-	32 856
Unspent Conditional Grants	<u>15</u>	6 375 881	5 121 780
Current portion of lease liability	<u>12</u>	971 581	914 612
Bank overdraft	<u>7</u>	-	887 897
Total liabilities		23 301 612	24 614 018
Net assets		96 977 822	89 916 818
Accumulated surplus		96 977 822	89 916 818
Total net assets		96 977 822	89 916 818

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HLABISA LOCAL MUNICIPALITY
Statement of financial performance for the year ended 30 June 2015

	Notes	2015	Restated 2014
		R	R
Revenue			
Revenue from non-exchange transactions			
Property rates	<u>21</u>	965 287	381 718
Property rates penalties	<u>21</u>	164 525	99 871
Interest earned Investment	<u>18.1</u>	443 257	406 691
Traffic Fines		598 400	429 650
Licences and permits		1 691 398	197 513
Government grants and subsidies	<u>22</u>	58 711 898	57 068 515
Gain of Sale of asset		-	
Revenue from exchange transactions			
Service charges	<u>17</u>	227 667	144 542
Interest earned Main bank	<u>18.2</u>	128 949	71 000
Rental revenue	<u>20</u>	197 218	155 842
Commission received	<u>19</u>	5 249	5 093
Sundry income	<u>19</u>	223 814	1 098 103
Total Revenue (A)		63 357 661	60 058 539
Expenditure (classified by nature)			
Employee related costs	<u>23</u>	21 572 001	18 524 073
Councillor remunerations	<u>24</u>	3 936 605	3 798 120
Contracted Services	<u>27</u>	277 500	297 502
Depreciation	<u>25</u>	6 553 525	5 822 690
Repairs and maintenance		651 684	342 888
Debt impairment		104 150	(801 097)
Asset impairment		-	
Finance Charges	<u>26</u>	566 570	335 337
General expenses	<u>28</u>	22 634 623	33 301 131
Grant expenses			
Total Expenditure (B)		56 296 658	61 620 644
Surplus/(Deficit) for the year (A-B)		7 061 003	(1 562 105)

HLABISA LOCAL MUNICIPALITY
Cash flow statement for the year ended 30 June 2015

	Note	2015	Restated 2014
		R	R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Sale of goods and services	44	2 489 309	1 555 927
Grants	22	58 711 898	57 068 515
Interest Receipts	18	572 206	477 691
		61 773 413	59 102 134
Payments			
Employee related costs	44	(25 100 690)	(20 805 768)
Suppliers	44	(23 674 418)	(29 865 935)
Interest paid		(404 761)	(335 337)
		(49 179 869)	(51 007 040)
Net cash flow from operating activities	29	12 593 543	8 095 094
CASH FLOW FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment	9	(8 443 039)	(13 555 654)
Additions to intangible assets		-	(532 030)
		-	
Net cash flow from investing activities		(8 443 039)	(14 087 684)
Cash flow from financing activities			
Repayment of lease liability	12	(914 241)	1 503 041
Increase in provisions			
Net cash flow from financing activities		(914 241)	1 503 041
Net cash flows for the year		3 236 264	(4 489 549)
Cash and cash equivalents beginning of year		1 717 765	6 207 314
Cash and cash equivalents end of year	7	4 954 028	1 717 765

HLABISA LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2015

	NOTE	Accumulated surplus	Total
		R	R
Balance as at 30 June 2013		80 041 625	80 041 625
Correction of an error	43	55 311	55 311
Restated balance as at 1 July 2013		80 096 936	80 096 936
Surplus for the year as previously reported		4 420 075	4 420 075
Correction of prior year error	43	(445 610)	(445 610)
Correction of prior year error - assets		5 845 418	5 845 418
Restated balance as at 1 July 2014		89 916 818	89 916 818
Surplus for the year		7 061 003	7 061 003
Balance as at 30 June 2015	45	96 977 822	96 977 822

HLABISA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015	Restated 2014
4 Inventories		
Consumables	-	-
5 Trade and Receivable from exchange transactions		
Other receivables	13 854	-
Refuse	739 999	1 023 359
Allowance for debt impairment	(260 133)	(414 711)
	493 721	608 648
Refuse		
Current (0-30 days)	21 616	59 568
31 - 60 days	14 931	33 981
61 - 90 days	14 422	56 726
91 - 120 days	14 361	19 793
121 - 365 days	674 669	853 291
	739 999	1 023 359
Summary of trade receivables by customer classification		
Government		
Current (0-30 days)	3 923	17 427
31 - 60 days	2 977	9 941
61 - 90 days	2 898	16 595
91 - 120 days	3 087	5 790
121 - 365 days	120 521	268 867
	133 407	318 620
Industrial/ Commercial		
Current (0-30 days)	13 688	34 505
31 - 60 days	9 219	19 684
61 - 90 days	8 853	32 858
91 - 120 days	8 567	11 465
121 - 365 days	463 636	532 532
	503 962	631 044
Residential		
Current (0-30 days)	4 005	7 637
31 - 60 days	2 736	4 357
61 - 90 days	2 671	7 273
91 - 120 days	2 707	2 538
121 - 365 days	90 513	111 827
	102 630	133 632
6 Trade and other receivables from non-exchange transactions		
Gross Balances		
Rates	1 903 456	664 837
Debtors: Traffic Fines	941 325	439 025
Less: Allowances for impairment		
Rates	(528 149)	(269 421)
Net Balance	2 316 632	834 441
Summary of other receivables by customer classification		
Rates		
Government		
Current (0-30 days)	16 827	9 636
31 - 60 days	12 106	5 497
61 - 90 days	12 537	9 177
91 - 120 days	11 159	3 202
121 - 365 days	988 640	211 270
	1 041 268	238 782
Industrial/ Commercial		
Current (0-30 days)	18 588	19 080
31 - 60 days	14 053	10 884
61 - 90 days	16 870	18 169
91 - 120 days	12 275	6 340
121 - 365 days	576 344	294 371
	638 129	348 844
Residential		
Current (0-30 days)	4 546	4 223
31 - 60 days	2 846	2 409
61 - 90 days	4 212	4 022
91 - 120 days	2 698	1 403
121 - 365 days	209 754	65 154
	224 057	77 211

HLABISA LOCAL MUNICIPALITY
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015
6 Trade and other receivables from non-exchange transactions (continued)

Total	2015	Restated 2014
Current (0 - 30 days)	39 960	32 939
31 - 60 days	29 004	18 790
61 - 90 days	33 619	31 368
91 - 120 days	26 132	10 945
121 - 365 days	1 774 740	508 199
	<u>1 903 456</u>	<u>602 241</u>
Less: Allowance for debt impairment	<u>(528 149)</u>	<u>(269 421)</u>
	1 375 307	332 820

Reconciliation of allowance for impairment of trade receivables

Opening balance	(269 421)	(634 993)
Contribution to allowance	(258 728)	
Reversal of allowance		365 572
	<u>(528 149)</u>	<u>(269 421)</u>

Trade and other receivables pledged as security

No portion of accounts receivables was pledged as security for any financial liabilities.

No security is held for any accounts receivables.

These amounts best represent the maximum exposure to credit risk at the end of the reporting period, without taking account of any collateral held or other enhancement

7 Cash and Cash equivalent

	2015	Restated 2014
ABSA	988 623	(90 645)
FNB (62205724174)	218 139	46 196
Investment - FNB (74107649045)	10 874	10 874
Investment - NedBank (9998)	77 232	73 665
Investment - Mercantile (4100167725)	14 262	13 535
Investment-FNB (Housing)(74332463674)	1 838 069	2 427 973
Investment - FNB (Cond Gra-62333315962)	11 538	11 718
Investment - FNB (Money Mar 62333317594)	15 654	18 758
Cash at Bank - FNB (Prim Acc 62331260240)	1 869 789	(751 755)
Cash on hand	2 941	2 941
Cashiers collection account	(93 094)	(45 497)
	<u>4 954 028</u>	<u>1 717 763</u>

ABSA

Cash book balance at beginning of year	(90 645)	26 524
Cash book balance at end of year	<u>988 623</u>	<u>(90 645)</u>
Bank statement balance at beginning of year	(90 654)	26 524
Bank statement balance at end of year	<u>988 623</u>	<u>(90 654)</u>

FNB (62205724174)

Cash book balance at beginning of year	46 196	10 389
Cash book balance at end of year	<u>218 139</u>	<u>46 196</u>
Bank statement balance at beginning of year	46 196	10 389
Bank statement balance at end of year	<u>218 145</u>	<u>46 196</u>

Investment - FNB (74107649045)

Cash book balance at beginning of year	10 874	10 388
Cash book balance at end of year	<u>10 874</u>	<u>10 874</u>
Bank statement balance at beginning of year	10 874	10 388
Bank statement balance at end of year	<u>10 874</u>	<u>10 874</u>

Investment - NedBank (9998)

Cash book balance at beginning of year	73 665	70 634
Cash book balance at end of year	<u>77 232</u>	<u>73 665</u>
Bank statement balance at beginning of year	73 665	70 403
Bank statement balance at end of year	<u>77 232</u>	<u>73 665</u>

Investment - Mercantile (4100167725)

Cash book balance at beginning of year	13 535	12 887
Cash book balance at end of year	<u>14 262</u>	<u>13 535</u>
Bank statement balance at beginning of year	13 535	12 887
Bank statement balance at end of year	<u>14 262</u>	<u>13 535</u>

Investment-FNB (Housing)(74332463674)

Cash book balance at beginning of year	2 427 973	6 699 518
Cash book balance at end of year	<u>1 838 069</u>	<u>2 427 973</u>
Bank statement balance at beginning of year	2 427 973	6 699 518
Bank statement balance at end of year	<u>1 838 069</u>	<u>2 427 973</u>

HLABISA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

7 Cash and Cash equivalent (continued)	2015	Restated 2014
Investment - FNB (Cond Gra-62333315952)		
Cash book balance at beginning of year	11 718	25 822
Cash book balance at end of year	11 538	11 718
Bank statement balance at beginning of year	11 718	25 822
Bank statement balance at end of year	11 538	11 718
Investment - FNB (Money Mar 62333317594)		
Cash book balance at beginning of year	18 758	12 753
Cash book balance at end of year	15 654	18 758
Bank statement balance at beginning of year	18 758	12 753
Bank statement balance at end of year	15 654	18 758
Cash at Bank - FNB (Prim Acc 62331260240)		
Cash book balance at beginning of year	(720 035)	(664 539)
Cash book balance at end of year	1 869 789	(720 035)
Bank statement balance at beginning of year	143 533	(32 335)
Bank statement balance at end of year	3 422 294	143 533

8 Investment Property	2 015	Restated 2014
Cost	692 550	692 550
Devaluation	-	-
Carrying value	692 550	692 550
Reconciliation of investment property		
Opening balance	692 550	692 550
Impairment		
Depreciation		
	692 550	692 550

A register containing the information required by Section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality

Other information

Amounts recognised in surplus and deficit for the year

Rental revenue for investment property

Pledged as security

No investment properties were pledged as security for overdraft facilities during the year

HLABISA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

9 Property, plant and equipment - 2015

	2015			2014 RESTATED	
	COST	ACCUMULATED DEPRECIATION & IMPAIRMENT	CARRYING VALUE	COST	ACCUMULATED DEPRECIATION & IMPAIRMENT
Land	22 440 540.00	-	22 440 540.00	22 440 540.00	-
Buildings	20 514 457.07	-3 686 142.20	16 634 811.87	17 396 879.34	-2 982 828.38
Plant & Machinery	1 603 141.61	-1 200 250.06	402 891.54	2 207 875.45	-1 635 612.09
Furniture & Fixtures	1 099 260.00	-614 668.34	484 591.67	1 534 777.12	-1 082 127.07
Motor Vehicles	5 684 506.01	-2 857 865.75	2 826 640.26	6 456 808.95	-3 153 620.22
Office Equipment	207 160.13	-149 219.34	57 940.78	235 455.31	-173 512.93
IT Equipment	1 069 862.15	-764 637.46	305 224.68	1 752 718.31	-1 295 515.81
Infrastructure	36 154 197.66	-11 805 728.54	24 348 469.11	32 120 257.50	-9 628 070.08
Community Assets	30 362 113.91	-4 106 432.34	26 255 681.57	27 715 472.22	-2 942 605.96
WIP	16 218 915.42	-	16 218 915.42	18 325 722.17	-
Finance Leased Asset	2 957 096.17	-1 885 592.27	1 071 503.90	2 957 096.17	-1 234 014.23
Total	138 311 250.12	-27 070 536.31	111 047 210.81	133 143 602.54	-24 127 906.78

Reconciliation of Property, Plant and Equipment Carrying Values/NBV -2015

	Opening	Correction of Error	Additions	Disposals/ Scrapping	Transfers
Land	22 440 540.00	-	-	0	-
Buildings	14 414 050.96	-	0	0	3 117 577.73
Plant & Machinery	572 263.36	149 196.92	166 726.80	-116 280.50	-
Furniture & Fixtures	452 650.05	123.81	475 907.96	-201 368.88	-
Motor Vehicles	3 303 188.73	277 507.28	-	-82 841.70	-
Office Equipment	61 942.38	1 157.38	40 763.15	-7 079.94	-
IT Equipment	457 202.50	24 889.59	260 021.61	-93 328.56	-
Infrastructure	22 492 187.42	-	-	-	4 043 060.16
Community Assets	24 772 866.26	-	-	-	2 646 641.69
WIP	18 325 722.17	-	7 499 619.83	-	-9 807 279.58
Finance Leased Asset	1 723 081.94	-	-	0	0
Total	109 015 695.76	452 874.99	8 443 039.35	-500 899.58	-0.00

Reconciliation of Property, Plant and Equipment Carrying Values/NBV -2014 Restated

	Opening	Correction of Error	Additions	Disposals/ Scrapping	Transfers
Land	22 440 540.00	-	-	-	-
Buildings	10 868 728.71	-	-	-	4 144 716.81
Plant & Machinery	773 717.35	-	15 960.00	-	-
Furniture & Fixtures	583 289.87	-	-	-	-
Motor Vehicles	3 682 989.39	-	406 292.92	-	-
Office Equipment	86 346.18	-	-	-	-
IT Equipment	648 070.01	-	-	-	-
Infrastructure	24 581 318.17	-	-	-	-
Community Assets	25 869 371.67	-	-	-	-
WIP	11 060 648.12	-	11 409 790.86	-	-4 144 716.81
Finance Leased Asset	1 785 103.65	-	451 191.07	-	-
Total	102 380 123.12	-	12 283 234.85	-	-

HLABISA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

10 Intangible Assets

2015	Cost/valuation	Accumulated depreciation	Carrying value
Computer software	1 407 170	(830 207)	<u>576 963</u>

Reconciliation of intangible assets

	Opening balance	Amortisation	Total
Computer software	759 639	(182 676)	<u>576 963</u>

2014

Computer software	Cost/valuation	Accumulated depreciation	Carrying value
	1 407 170	(647 531)	<u>759 639</u>

Reconciliation of intangible assets

	Opening balance	Additions	Amortisation	Total
Computer software	402 637		532 030	(175 028)
				<u>759 639</u>

11 Deposits

Deposits	<u>14 200</u>	<u>14 200</u>
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12 Finance lease obligations

2015

Amounts payable under finance leases

	Minimum lease payment R	Future finance charges R	Present value of minimum lease payments R
Within one year	1 159 226	(187 645)	971 581
Within two to five years	990 601	(56 454)	934 148
	<u>2 149 827</u>	<u>(244 099)</u>	<u>1 905 729</u>

The average lease term is 5 years and the average effective borrowing rate is 12% pa.

2014

Amounts payable under finance leases

	Minimum lease payment R	Future finance charges R	Present value of minimum lease payments R
Within one year	1 234 911	(320 299)	914 612
Within two to five years	2 149 456	(244 099)	1 905 358
	<u>3 384 367</u>	<u>(564 398)</u>	<u>2 819 969</u>

The average lease term is 5 years and the average effective borrowing rate is 12% pa.

13 Payables

13.1 Payables from exchange transactions

Trade payables	3 239 335	4 422 623
Deposits received	8 926	1 925
Retentions	1 968 739	1 851 513
Debtors with Credit balance	5 481	-
	<u>5 222 480</u>	<u>6 276 061</u>

13.2 Payables from non-exchange transactions

Leave accruals	1 482 378	1 584 249
Annual bonus accrual	504 635	399 505
Sundry payables	640 972	1 264 227
Trade receivables with credit balances	435 814	-
	<u>3 063 799</u>	<u>3 247 981</u>

14 VAT payable

	2015	Restated 2014
VAT	<u>(184 130)</u>	<u>32 856</u>

15 Unspent conditional grants and receipts

Hlabisa Sewerage System Project	1 798 319	1 798 319
National Electrification Program	-	-
Corridor Development	652 752	652 752
MIG	1 605 917	-
DOH - Disaster Management Grant	1 267 785	1 267 785
DPLG - MSIG	13 844	13 844
Library Grant	727 286	883 121
Sports Grants	-	195 981
FMG	45 929	45 929
EPWP	264 049	264 049
	<u>6 375 881</u>	<u>5 121 780</u>

Movement during the year

Grant Description	Unspent Grant 2014	Receipts	Expenditure	Unspent Grant 2015
Hlabisa Sewerage System Project	1 798 319	-	-	1 798 319
National Electrification Program	-	8 000 000	(8 000 000)	-
Corridor Development	652 752	-	-	652 752
MIG	-	9 902 000	(8 296 083)	1 605 917
DOH - Disaster Management Grant	1 267 785	-	-	1 267 785
DPLG - MSIG	13 844	934 000	(934 000)	13 844
Library Grant	883 121	926 000	(1 081 834)	727 287
Sports Grants	195 981	525 000	(720 981)	-
FMG	45 929	1 800 000	(1 800 000)	45 929
EPWP	264 049	1 000 000	(1 000 000)	264 049
	<u>5 121 780</u>	<u>23 087 000</u>	<u>(21 832 898)</u>	<u>6 375 882</u>

HLABISA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

16 Provision for rehabilitation of landfill site

Opening balance	5 361 541	-
Current year movement	84 825	5 361 541
Closing balance	5 446 366	5 361 541

17 Service charges

2015	Restated 2014
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Refuse removal	62 280	19 108
Penalties	165 387	125 434
	227 667	144 542

18 Interest earned - external investments**18.1 Interest earned - non exchange transaction**

Short-term deposits	443 257	406 691
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18.2 Interest earned - exchange transaction

Bank	128 949	71 000
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19 Other revenue

Sundry income	223 814	1 098 103
Commission earned	5 249	5 093
	229 063	1 103 196

20 Rental of facilities and equipment

Rental of facilities	171 731	98 426
Rental of equipment	25 487	57 416
	197 218	155 842

21 Property rates

HLABISA LOCAL MUNICIPALITY
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Municipal rates	965 287	381 718
Property rates penalties	164 525	99 871
	1 129 812	481 589

22 Government grants and subsidies

Equitable share	36 879 000	27 617 000
Government grant operating	21 832 898	29 451 515
	58 711 898	57 068 515

23 Employee related costs

Basic	14 978 210	12 064 133
Bonus	931 468	705 083
Medical Aid	658 141	479 289
UIF	148 320	109 352
SDL	194 942	149 133
Post employment benefits	1 318 466	762 613
Travel and all other travelling allowances	1 401 907	897 226
Group Life	3 990	
Overtime	606 078	497 436
Housing benefits and allowances	217 418	420 253
Telephone allowance	729 922	774 615
Industrial Council	6 171	4 515
Leave	(63 474)	650 492
Personal Facility	96 000	144 000
Contribution to long service award	344 441	865 933
	21 572 001	18 524 073

23 Employee related costs (continued)

	2015	Restated 2014
Remuneration of Municipal Manager		
Annual remuneration	396 667	347 083
Housing allowance	38 000	33 250
Cellphone allowance	12 000	10 500
Contributions to UIF,Medical aid and pension funds	6 616	1 041
Travel allowance	120 000	-
	573 283	391 874

The Municipal Manager resigned in the month of February 2015

Remuneration of Chief Finance Officer		
Annual remuneration	70 000	343 424
Housing allowance	22 667	105 500
Cellphone allowance	3 000	10 000
Contributions to UIF,Medical aid and pension funds	1 467	1 487
Travel allowance	21 000	102 000
	118 134	562 411

The Chief Finance Officer resigned in the month of August 2014, no CFO has been appointed since then.

Remuneration of Corporate Services		
Annual remuneration	470 400	379 004
Travel allowance and travel claims	75 942	44 912
Cellphone allowance	12 544	9 877
Contributions to UIF,Medical aid and pension funds	9 880	1 338
Acting Allowance	17 000	-
Housing allowances	50 176	41 034
Other allowances	194 432	129 621

Back Pay	5 667	-
	836 041	605 786

Remuneration of Director Planning		
Annual remuneration	76 667	460 000
Travel allowance and travel claims	27 024	84 000
Housing Allowance	14 000	144 000
Contributions to UIF,Medical aid and pension funds	1 383	1 785
Cellphone allowance	2 000	12 000
	121 073	701 785

The Director: Planning resigned in the month of August 2014, noone has been appointed on permanent basis since then.

Remuneration of Director Community Services		
Annual remuneration	318 206	-
Travel allowance and travel claims	115 266	-
Contributions to UIF,Medical aid and pension funds	9 903	-
Housing allowances	41 935	-
	485 311	-

Director Community Services was appointed in October 2014.

HLABISA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

24 Councillors allowances

Mayor	330 666	330 745
Deputy Mayor	255 373	275 973
Executive Committee	315 206	281 941
Speaker	464 268	
Councillors	-	670 270
Councillors allowances	2 571 092	2 239 191
	3 936 605	3 798 120

In-Kind Benefits

The Mayor, Deputy Mayor, and Mayoral Committee Members are part-time employees. Only Speaker is a full-time employee. The

The Mayor have the use of separate Council owned vehicle for official duties.

The Mayor has two full-time bodyguards. The Deputy Mayor and the Speaker has one full-time bodyguard.

25 Depreciation and amortisation

PPE		4 261 269
Intangible assets		175 028
	-	4 436 297

26 Interest paid

Finance leases	404 761	335 337
Long Service Award - interest	76 984	-
Interest - Land fill site	84 825	-
	566 570	335 337

27 Contracted services

Contracted services	277 500	297 502
---------------------	----------------	----------------

28 General Expenses

	2015	Restated 2014
Administration expenses	437 000	301 934
Advertising	456 635.2	548 922
Auditors Remuneration	1 364 707.7	2 393 371
Bank Charges	85 603.0	51 670
Bursary	407 768.1	280 900
Catering	10 545.2	30 861
Cleaning Expenses	45 435.0	81 210
Consulting and professional fees	5 070 885.0	2 271 617
Consumables	12 946.8	17 023
Donations	106 275.9	516 529
Electricity	7 309 777.7	13 853 343
Entertainment	-	-
Poverty Alleviation	474 602.0	390 449
Fines and penalties	433 627.5	16 274
Fuel and Oil	795 079.3	802 727
General	21 671.1	72 192
Special programs	406 458.6	284 999
Insurance	401 699.2	311 248
Legal Fees	-	753 032
office machine rental	241 749.0	257 708
Postage and telephone	365 891.5	465 791
Printing & stationery	301 960.6	212 995
Project maintenance costs		641 379

HLABISA LOCAL MUNICIPALITY
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Promotions	146 388.1	89 580
Public Participation	146 941.4	-
Security	1 449 425.4	1 081 802
Sports and Recreation	231 044.6	241 333
Subsistence and travel	604 169.4	1 551 059
Training	954 969.3	88 930
Uniform	56 860.0	23 119
Utilities	227 369.1	281 268
Youth Support	67 138.0	26 324
Contribution to land fill site		5 361 541
	22 634 623	33 301 131

29 Cash generated from operations

	2015	Restated 2014
Surplus for the year	7 061 003	(1 562 105)
Adjustment for:		
Depreciation and amortisation	6 553 525	5 822 690
Finance cost	161 809	-
Debt impairment	104 150	(801 097)
Other non-cash items	280 967	1 516 425
Change in working capital:		
Inventories	-	8 496
Trade and other receivables from exchange transactions	114 928	(190 342)
Trade and other receivables from non-exchange transactions	(1 482 190)	(704 290)
Payables from exchange transactions	(1 053 581)	2 923 644
Payables from non-exchange transactions	(184 183)	2 309 419
VAT	(216 986)	(61 773)
Unspent conditional grant	1 254 101	(6 527 514)
	12 593 543	2 733 553
	12 593 543	8 095 094
	-	5 361 541

Long Service Awards

The Council offers employees leave awards that may be exchanged for cash on certain

30

The most recent actuarial valuations of plan assets and the present value of the defined benefit

The principal actuarial assumptions used were as follows:

	2 015	Restated 2014
Discount rate per annum	0	
General Inflation	0	
Salary inflation	0	8.89%
Real rate	0	6.43%
		7.43%
		1.36%

Examples of mortality rates used were as follows:

Average retirement age	63	
Mortality during employment	SA85-90	63

The amounts recognised in the Statement of Financial Position were determined as follows:

		SA85-90
Present value of funded obligations	1 287 358	
Fair value of plan assets	-	
Liability in the Statement of Financial Position	1 287 358	865 933
		-
		865 933

Movements in the defined benefit obligation is as follows:

Balance at beginning of the year	865 933	
Interest cost	76 984	
Current service	375 245	-
Benefit payments	(30 804)	-
Actuarial (gains)/losses	-	865 933
Missaleniuous	-	-
Balance at end of year	1 287 358	-

The amounts recognised in the Statement of Financial Performance were as follows:

		865 933
Interest cost	76 984	
Current service cost	375 245	
Benefit payments	(30 804)	-
Actuarial (gains)/losses	-	865 933
Total Employee Benefit included in Employee Related Costs	421 425	-
		865 933

In conclusion:
Statement of Financial Position obligation for:

Post-employment : medical benefits	-	
Post-employment : Pension benefits	-	
Long Services Award.	1 287 358	-
	1 287 358	-

Statement of Financial performance obligation for:

Post-employment medical benefits loss	-	865 933
Long Service Award loss	421 425	865 933
	421 425	-

HLABISA LOCAL MUNICIPALITY
NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Additional retirement costs.	-	865 933
	421 425	865 933
	-	-
		865 933

	2015	Restated 2014
Fruitless and wasteful expenditure		
31 Opening balance	923 894	289 601
Current year	301 466	634 293
Less: condoned		
	1 225 359	923 894
Nature of fruitless and wasteful expenditure		
Interest and penalties on late payments(SARS, Auditor General, Telkom, Pension Funds & Eskom)	301 466	197 567
Other - Payments to Mazars for FAR not used for AFS and payments to Omzala Construction	-	436 725
	301 466	634 293
Irregular Expenditure		
32 Opening balance	56 210 797	28 993 463
Current year	3 678 456	27 217 334
	59 889 253	56 210 797
Unauthorised		
33 Opening balance	25 016 632	21 008 287
Over expenditure	12 358 604	1 642 249
Conditional grants not cash backed	929 515	2 366 096
	38 304 752	25 016 632

Additional disclosure in terms of Municipal Finance Management Act

34 Contributions to organised local government	2015	Restated 2014
Current year		-
Auditors remuneration		
Current year charge	2 292 175	2 818 145
Amount paid	(1 676 689)	(2 393 371)
	615 486	424 774
PAYE AND UIF		
Current year charge	3 388 327	3 450 633
Amount paid	(3 124 595)	(2 692 043)
	263 731	758 590
Pension and Medical Aid Contribution		
Current year charge	3 191 370	1 132 495
Amount paid	(2 902 009)	(924 757)
	289 361	207 738
VAT		
VAT Payable	-	32 856

Commitments	2015	Restated 2014
35 Authorised capital expenditure		
Approved and contracted for Capital		
Property, plant and equipment	13 165 467	5 802 400
Operating		
Open orders	511 080	-
	13 676 547	5 802 400
Approved but not yet contracted for		
Property, plant and equipment	6 868 899	13 902 000

Events after reporting date

36 There are no events after the reporting date

Key Sources of estimation uncertainty and judgements

37 The following areas involve a significant degree of estimation uncertainty:

- Useful lives and residual values of property, plant and equipment
- Recoverable amount of property, plant and equipment
- Provision for doubtful debts
- Impairment of assets

Risk Management

38 Maximum credit risk exposure

Credit risk consists mainly of cash deposit, cash and cash equivalents and trade debtors. The only cash with major banks with high quality credit standing and limits exposure to any one counter party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no financial position, past experience and other factors. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

HLABISA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Interest rate risk

As municipality has no significant interest-bearing assets, the municipality's income and operating cahflows are substantially independent of changes in market interest rates.

Financial assets by category

39 The accounting policies for financial instruments have been applied to the line items below:

2015

Invetories	-
Trade and receivables from exchange transactions	493 721
Trade and receivables from non - exchange transactions	2 316 632
Cash and cash equivalents	4 954 028
VAT receivables	184 130
	<u>7 948 510</u>

2014

Invetories	-
Trade and receivables from exchange transactions	608 648
Trade and receivables from non - exchange transactions	834 441
Cash and cash equivalents	2 605 662
	<u>4 048 752</u>

Financial liabilities by category

40 The accounting policies for financial instruments have been applied to the line items below:

2015

Payables from exchange transactions	5 222 480
Payables from non-exchange transactions	3 063 799
Unspent Conditional Grants	6 375 881
Bank overdraft	-
Lease liability	1 905 729
Provisions	6 733 724
	<u>23 301 612</u>

2014

Payables from exchange transactions	9 524 042
Bank overdraft	887 897
Unspent conditional grants	5 121 780
VAT	32 856
Lease liability	2 819 969
Provisions	6 227 474
	<u>24 614 018</u>

Contingent liabilities

41 LP Buthelezi Arbitration Case

Salary for 7 months @ R9 597,63	67 183
S&T Witnesses	8 000
Arbitration	12 000
	<u>87 183</u>

Land Invasion

Legal cost	200 000
Possible demolishing (Equipment & Security)	300 000
	<u>500 000</u>

TOTAL

587 183

Non-current assets held for sale

2015 2 014

42 Assets held for sale 1 682 000 1 682 000

Prior period Error

43 Trade receivable from exchange transactions

Previously reported	382 204
Debtorspayment reversed on incorrect account	(71 031)
IMATU refund incorrectly credited to sundry debtors account	103
Sale of land receipts misallocated to consumer deposits	(161 000)
Provision for doubtful debt adjustment	458 372
Restated balance as at 30 June 2014	<u>608 648</u>

Trade and other receivable from non-exchange transactions

Previously reported	83 097
Debtors : Traffic fines not recognised	439 025
Provision for doubtful debt adjustment	312 319
Restated balance as at 30 June 2014	<u>834 441</u>

Non- Current Provision - Long service award

Previously reported	-
Provision for long service award	865 933
Restated balance as at 30 June 2014	<u>865 933</u>

Non- Current Provision - Landfill site

Previously reported	-
Provision for long service award	5 361 541
Restated balance as at 30 June 2014	<u>5 361 541</u>

Finance lease liability

Previously reported	932 148
Lease liability not recognised	1 887 821
Restated balance as at 30 June 2014	<u>2 819 969</u>

Finance leased asset

HLABISA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Previously reported	1 305 147
Lease asset not recognised	2 411 682
Restated balance as at 30 June 2014	3 716 829

Trade and other payables from exchange transactions	
Previously reported	7 989 344
Sale of land receipts misallocated to consumer deposits	(279 947)
VAT output on sale	(23 873)
Traffic fines misallocated to consumer deposits	(2 000)
Hall hire deposits misallocated to revenue	500
Cellphones suspense correction	(11 598)
Retentions not recognised	1 851 513
Restated balance as at 30 June 2014	9 523 939

VAT Payable

HLABISA LOCAL MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Previously reported	(158 428)
VAT on sale of land	(23 873)
VAT on hall hire not declared	(1 547)
VAT on sale of assets held for sale	(20 055)
VAT on licences and permits not declared	(18 482)
VAT on other revenue not declared	(5 204)
VAT on retention	260 445
VAT on consumer deposits	43 547
Restated balance as at 30 June 2014	76 403

Accumulated surplus	
2013	R
Cellphone suspense correction	9 529.46
VAT on sale of assets held for sale	(20 055)
Debtorspayment reversed on incorrect account	(71 031)
Traffic fines misallocated to consumer deposits	2 000
VAT on hall hire not declared	(1 547)
Hall hire deposits misallocated to revenue	(500)
Correction on finance lease	136 915
Total correction of error to restate balance as at 30 June 2013	55 311

2014	
Traffic fines not recognised	361 185
Licences and permits not recognised	55 369
VAT output on other revenue not declared	(5 204)
Sale of land not recognised	118 947
Contribution to provision for long service award	(865 933)
Cellphone suspense correction	2 069
Correction on debt impairment	773 850
Correction on finance lease	436 804
Inventory	(2 983)
Finance cost correction	(177 646)
Electrification correction	69 313
Total correction of error to restate balance as at 30 June 2014	765 771

Cash flows from operating activities

	2015	Restated 2014
44 Receipts: Sale of goods and services		
Total revenue as per Statement of Financial Performance	63 357 661	60 058 539
Less: Interest received	(572 206)	(477 691)
Less: Government grants and subsidies received	(58 711 898)	(57 068 515)
Movement in receivables from non-exchange transactions	114 928	(704 290)
Movement in receivables from exchange transactions	(1 482 190)	(190 342)
Movement in VAT receivables	(216 986)	(61 773)
	2 489 309	1 555 927
Payables: Suppliers		
Total expenditure as per Statement of Financial Performance	(56 296 658)	(61 620 644)
Employee costs	25 100 690	20 805 768
Contribution to landfill site	-	5 361 541
Non-cash employee cost	280 967	1 516 425
Interest paid	566 570	335 337
Depreciation and amortisation	6 553 525	5 822 690
Debt impairment	104 150	(801 097)
Movement in payables	(1 237 764)	5 233 063
Movement in inventory	-	8 496
Movement in unspent conditional grants	1 254 101	(6 527 514)
	(23 674 418)	(29 865 935)

	2015	Restated 2014
45 Accumulated surplus		
Opening balance	89 916 818	80 041 625
Net profit for the year	7 061 003	4 420 075
Correction of the error	-	5 455 118
Closing balance	96 977 822	89 916 818

CARRYING VALUE
22 440 540.00
14 414 050.96
572 263.36
452 650.05
3 303 188.73
61 942.38
457 202.50
22 492 187.42
24 772 866.26
18 325 722.17
1 723 081.94
109 015 695.76

Depreciation	Total
-	22 440 540.00
-703 313.82	16 828 314.87
-369 015.03	402 891.54
-242 721.27	484 591.67
-671 214.04	2 826 640.26
-38 842.19	57 940.78
-343 560.47	305 224.68
-2 186 778.47	24 348 469.11
-1 163 826.38	26 255 681.57
	16 018 062.42
651 578.04	1 071 503.90
-6 370 849.72	111 039 860.81

Depreciation	Total
-	22 440 540.00
-599 394.56	14 414 050.96
-217 413.99	572 263.36
-130 639.82	452 650.05
-786 093.58	3 303 188.73
-24 403.79	61 942.38
-190 867.51	457 202.50
-2 089 130.75	22 492 187.42
-1 096 505.42	24 772 866.26
-	18 325 722.17
-513 212.78	1 723 081.94
-5 647 662.21	109 015 695.76

